

Indiana

Department of Local Government Finance



Committed to a fair and equitable property tax system for Hoosier taxpayers.

Public Hearing on Reassessment of Real Property in Warren County

**Department of Local Government Finance
Resolution #2007-09**

Circuit Court, Warren County Courthouse
Williamsport, Indiana
September 10, 2007



Agenda

- **Public hearing will run from 6:00 – 8:00 p.m.**
- **The Need For Reassessment Of Real Property**
 - Accuracy and Equity
 - Lack of Adjustments to Commercial and Industrial Properties
- **How The Reassessment Will Be Handled**
 - Commercial and Industrial Properties
- **Opportunity For Public Comments**
 - Elected/Appointed Warren County Officials
 - Floor will be open for public comment
 - **Please note that each speaker is limited to 3 minutes for comments**

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The Need For Reassessment Of Real Property

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The Need for Reassessment of Real Property

o Accuracy of Assessments

Accuracy refers to how close the assessments determined by local assessing officials are to market value-in-use

o Equity of Assessments

Equity refers to how uniform assessments are within a class of property or geographic area



The Need for Reassessment of Real Property

- o Accuracy and equity are measured by conducting a statistical analysis known as an assessment-to-sales ratio study
- o The basic statistic in an assessment-to-sales ratio study is an assessment ratio

$$\text{Assessed Value} \div \text{Sale Price} = \text{Ratio}$$



The Need for Reassessment of Real Property

- o In Indiana, the assessment ratio for all properties is to be 100%

$$\text{Assessed Value} \div \text{Sale Price} = \text{Ratio}$$

Example 1: $\$60,000 \div \$60,000 = 100\%$

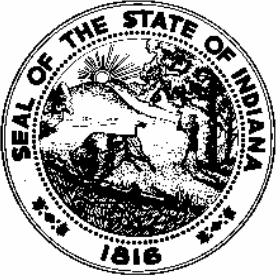
Example 2: $\$54,000 \div \$60,000 = 90\%$

Example 3: $\$66,000 \div \$60,000 = 110\%$



The Need for Reassessment of Real Property

- o Using these ratios from sold properties and grouping them by township and class, an assessment-to-sales ratio study determines if assessments are accurate and equitable



The Need for Reassessment of Real Property

Statistical Measures

- o **Accuracy** is measured by the median ratio
 - o The median ratio is the “average” level of assessment for a class of property
- o **Equity** is measured by the coefficient of dispersion (COD)
 - o The coefficient of dispersion (COD) gives the relative dispersion, or variability of assessments from the median



The Need for Reassessment of Real Property

Standards

- o 50 IAC 21, the administrative rule governing annual adjustments sets the following standards for assessments:
 - o **Accuracy** – The median ratio for any class of property in a township should fall between 90% and 100%
 - o **Equity** - the coefficient of dispersion (COD) should be:
 - o $\leq 15\%$ on improved residential property; and
 - o $\leq 20\%$ on all other classes



The Need for Reassessment of Real Property

Standards

- o **Regressivity/Progressivity** – The Price Related Differential (PRD), which measures uniformity, for any class of property in a township should be between .98 and 1.03.



Results of Warren County Ratio Study

Accuracy

- o All classes of property in all townships met the standard of assessment accuracy. However, Improved Commercial property county-wide had a median ratio that was at the low-end of the acceptable range (92.9%).



Results of Warren County Ratio Study

Equity

- o All classes of property in all townships met the standard for assessment equity. However, Improved Commercial property county-wide was at the high-end of the acceptable range (18.88%).



Results of Warren County Ratio Study

Uniformity

- o The PRD for Unimproved Residential property in Warren Township was outside the standard for assessment uniformity.



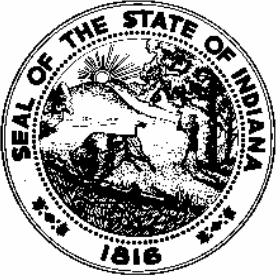
Lack of Adjustments to Commercial and Industrial Properties

- o Analysis of Assessment Changes from 2005 to the 2006 assessment year revealed the following:
 - 1) A county-wide analysis of gross assessed values of commercial parcels revealed that eighty-four percent (84%) of these parcels had no change or declined in assessed values from the 2005 assessment year to the 2006 assessment year.



Lack of Adjustments to Commercial and Industrial Properties

- 2) A county-wide analysis of gross assessed values of industrial parcels revealed that ninety-two percent (92%) of these parcels had no change or declined in assessed values from the 2005 assessment year to the 2006 assessment year.



How the Reassessment Will be Handled

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Securing a Vendor

- o Warren County officials may retain their vendor to conduct the reassessment. If Warren County desires a different vendor, they must go through the Special Procurement process of the Indiana Department of Administration.
- o The Department of Local Government Finance will have oversight of the vendor in that the vendor must be certified under 50 IAC 15-4-1 and must include in its contract the provisions required by IC 6-1.1-4-18.5 and IC 6-1.1-4-19.5
- o A checklist for these required contract provisions can be found at <http://www.in.gov/dlgf/local/assessor.html>
- o The Special Procurement process, if needed, is expected to be expedient (2 to 3 weeks)



Commercial and Industrial Properties

o **Assumptions:**

- o The underlying property data is correct
- o The Vendor will not be required to perform the work within the Warren County computer system
- o The Vendor will pull the values into their own system
- o The Vendor will be using 2005 pay 2006 Warren County Assessor Data



Commercial and Industrial Properties

- o The initial process is expected to use an updated cost approach in addition to updating land values:

$$\begin{aligned} &1999 \text{ RCN} \times \text{Cost Factor} = 2005 \text{ RCN} \\ &\quad - \text{Depreciation (6 years)} \\ &\quad = \text{Improvement Market Value} \\ &\quad \times \text{2005 Neighborhood Factor} \\ &\quad = 2005 \text{ Improvement Market Value} \\ &\quad + \text{2005 Land Market Value} \\ &\quad = 2005 \text{ Total Market Value} \end{aligned}$$

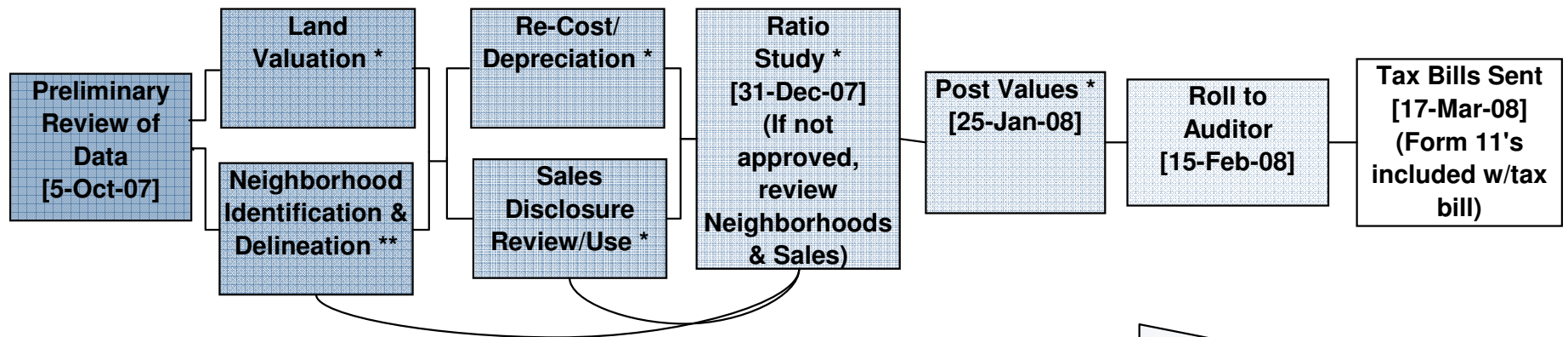


Commercial and Industrial Properties

- o The Neighborhood Factor (or Annual Adjustment Factor) will be based on Sales Disclosures from 2004 and 2005, with a January 1, 2005 valuation date
- o The Department will review and approve the reassessment work throughout the process
- o The reassessment of real property is expected to be completed by December 31, 2007, and assessed values shall be rolled to the County Auditor by February 15, 2008



Timeline for Warren County Commercial and Industrial Reassessments



Timeline for Residential Reassessment will run Concurrently

* DLGF Review and Approval Process

** Report on how Neighborhoods are defined

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Comments & Questions

Please email written comments and questions
regarding the reassessment to:

warrenreassessment@dlgf.in.gov

(No phone comments will be accepted)